

Town of Bedford Finance Committee

Town Hall, Selectmen's Meeting Room

March 20, 2014

Members in attendance: Rich Bowen, Tom Busa, Steve Carluccio, Bob Kenney, Elizabeth McClung, Mike Seibert (Chair), Steve Steele, Ben Thomas.

Others in attendance: Glenn Garber, *Planning Director*; Victor Garofalo, *Director of Finance and Collector/Treasure*; Michael McAllister, *School Committee*; Paul Mortenson, *4 Wellington Way*; Rick Reed, *Town Manager*.

Model 3.4: Mr. Garofalo listed the line items that have been changed since last week and announced that the budget is in balance. Due to decisions made at the March 13 meeting, the School budget is now \$35,656,554 and changes were made to the Reserve Fund, Local Receipts and Insurance and Benefits.

Mr. Steele said he read in *The Bedford Minuteman* that the State does not expect to reimburse municipalities 100% for homeless student transportation. If the percentage reported is accurate, Bedford would receive only about \$200,000, 55-58% of actual FY14 expenditures. Mr. Garofalo calculated the difference would be about \$55,000 from the number in the model but said he believed other local receipts would be higher than projected, although the lower reimbursement would adversely affect Free Cash. By the time Special Town Meeting comes around next November, actual numbers rather than projections will be there to work with.

Mr. Thomas asked if a physical School budget exists because FinCom has repeatedly asked for a copy, without result. He said it felt insulting to be completely ignored, especially as he assumes a budget exists that could easily be distributed.

Mr. McAllister, present for School Committee, said he would look into it. Mr. Steele and Mr. Kenney, frequent School Committee liaisons, concurred that a budget that "backs-up to the number" (\$35,656,554) does exist.

Warrant:

Planning Director Glenn Garber spoke about **Article 6- Zoning Bylaw Amendment- Flood Plain Map Reference**, saying the Selectmen have not yet had a chance to make a recommendation on the article although they plan to on the evening of Annual Town Meeting, just prior to the start of business.

Article 6 pertains to a FEMA re-mapping of the Concord River flood plain. The remapping has occurred because the impact area has expanded. Former flood plain calculations relied on a metric to determine boundaries called the "100-year storm." The new metric is based on something called the "1% chance of yearly occurrence." Remapping changes flood boundaries and flood boundaries affect homeowner ability to access federally-subsidized flood insurance.

Included in Mr. Garber's representation was a map of the affected area showing where the flood plain has expanded or, in some cases, contracted. Changes are not only horizontal but vertical, meaning that homes once considered higher than flood levels are now within flood levels.

It was noted that about 25 houses are newly eligible for federally-subsidized insurance although a total of 100 properties have experienced some change in status—some for the better and some for the worse. Mr. Garber noted that proximity to the floodplain as previously delineated before the remapping probably already influenced home valuations. Every affected homeowner has been notified.

Mr. Garber said that the Feds re-map from time to time, though not with any regularity. This re-mapping did not include other waterway areas in Bedford such as the Elm Brook or the Shawsheen.

Mr. Carluccio asked if citizens would come to Town Meeting angry about the remapping. Mr. Garber said those affected were notified nine months ago. The Planning Office hasn't fielded any complaints; Mr. Garber didn't know if the DPW had received any.

Ms. McClung said that the FEMA re-mapping is controversial in other parts of the country and that flood insurance rates have climbed in recent years. Mr. Garber agreed that higher flood insurance rates have impacted been coastal regions especially.

If Town Meeting does not approve **Article 6**, homeowners will not be able to access the federal subsidy. There is no financial impact to the Town from the article. This being the case, Mr. Busa made a motion that the Finance Committee take no position on **Article 6 Zoning Bylaw Amendment- Flood Plain Map Reference**. Mr. Carluccio seconded. The motion passed 8-0-0.

Before Mr. Garber left the meeting, Mr. Thomas asked if he had any thoughts about **Article 13-Tax Increment Financing Agreement**. Mr. Garber said he hadn't studied the question and the Planning Board has chosen not to take a position. Tax increment questions hinge, he said, on "the exact terms and dollars", particularly the length of the period that taxes are deferred. Some towns give out TIF agreements [Tax Increment Financing] liberally because they are desperate for economic development. "When you had it all up, it's not a good deal," Mr. Garber said of such policies, particularly those that do not include substantial job creation or other kinds of benefits.

Awaiting Mr. Reed's arrival, Mr. Seibert moved the discussion to **Article 30- Free Cash**. Mr. Garofalo noted the Free Cash line item stands currently at \$2,042,314. The amount to be left in Free Cash, based on the Town's financial policies, is \$760,000 or ½% of the operating budget.

Mr. Bowen moved that the Finance Committee recommend approval of the use of Free Cash in the amount of \$2,042,314. Mr. Steele seconded. The motion passed 8-0-0.

The next item of business was to look at the individual Town budgets that have increased more than 3% over FY14. At Town Meeting, FinCom will explain the drivers of these increases. Mr. Garofalo showed a copy of the budget book to be distributed to every Town Meeting attendee but said that some department numbers have changed from what was written in the warrant. Every attendee will also receive a copy of the financial status dashboard created by Mr. Seibert, similar to the one he produced for the first time for last year's Annual Town Meeting.

Mr. Garofalo said he had added more graphs to this year's budget book to demonstrate historical data and trends.

Mr. Seibert started with the Selectmen's budget, up 8.3% over FY14. Mr. Garofalo said the Selectmen's budget has now gone down because the union contractual agreements have been settled. Rather than \$ 679,171, the Selectmen's budget is now \$619,000 or 1.1% *less* than the line item was in FY14.

Financial Committees, as written, is up 16%. Mr. Garofalo said it's not actually up because the increase is from the reserve set aside for homeless transportation. Actually, the Finance Committee line item –like the Selectmen's line item—is down from last year: it's now \$626,000 compared to \$627,596 for FY14.

The Elections and Registrations line item increased 128% over FY14 because two more elections than usual will be held in the period.

The Planning Department budget increase is of 6.7% is due to increased hours for the Assistant Planner.

The Fire Department is up 4.5% due to two years increases that are included in the recently settled employment contract. There was no contract last year so the numbers are based on FY13's contract figures.

The Town Center increase of 5.1% is the result of higher electricity rates. Mr. Seibert noted Town Center experienced electricity increases last year as well. Mr. Garofalo said he believed the FY14 increase was because electricity “had been reduced in error” and needed to be adjusted to accurately reflect expenses. Levels of use have not increased; it is the cost of electricity itself that has risen.

The School budget increased 4.21% over FY14. Mr. Seibert verified with Mr. McAllister that the driver for the increase is primarily additional FTE's to address State mandates and higher enrollment. Mr. Seibert asked the Schools to provide the number of additional students and where the impact is being felt most.

Mr. Seibert asked about the Vocational Education costs. Mr. Reed said that every participating municipality has to contribute a minimum of 10% toward capital improvements and then fees based on the number of students enrolled.

The Facilities budget has gone up by 6.1%, also because of electricity.

The Public Works budget has risen 4.7% due to roads, water and sewer. Mr. Reed said that actually the main part of the Public Works budget has gone down.

The Bedford Youth and Family budget has gone up 16.9% because of veterans' benefits and hours for the Healthy Bedford Coordinator that, until now, have been paid for with grant money. Veteran's benefit expenditures will be reimbursed by the State almost entirely. Mr. Bowen calculated that the Healthy Bedford Coordinator position by itself represents a 0.12 FTE increase.

The overall is budget increase is 3.89% but the Operating Budget increase is 2.94%.

Article 13- Tax Increment Financing Agreement was then discussed. Mr. Reed provided background to the article that asks Town Meeting to permit reduced property taxes for Aspen Technologies for a

period of five years. The growing company specializes in process software for the oil and natural gas industry. Aspen plans to add employees and to consolidate operations that are now based in Burlington, MA and Nashua, NH. It will occupy 3 vacant buildings at 20, 22, and 28 Crosby Drive for a total square footage of 140,000. Aspen will renovate facades and interior space, adding value to the Town's commercial/industrial tax base. Mr. Reed said the improvements, furnishings and equipment represent a \$12.908M investment. The Selectmen have voted unanimously to recommend approval of the article.

Mr. Reed clarified that the tax reduction is applied to the *added* value of the property. Therefore the reduction has no effect on the taxes the Town currently receives. The five-year TIF agreement would begin in FY1 with a reduction of 30% for the first 2 years, 15% for the next 2 and 10% for the final year. Occupancy is planned for this summer and into the fall.

Mr. Carluccio asked how long the buildings have been vacant. Mr. Reed said he wasn't sure but he thought one of the buildings had been vacant for 2 years, the other two buildings for 4-5 years.

Mr. Reed said local government must approve the TIF before it goes to the State for approval. He said these tax breaks are based on the understanding the company will make improvements to the physical plant and add jobs to the economy. If these promises are not kept, the company can lose its TIF certification. TIF agreements once included a component for a State-level corporate tax break but that has been eliminated even though State approval remains a requirement.

Once the article passes Town Meeting and the Selectmen have signed and submitted all the documents, the Economic Development Council will make a determination in late June.

Mr. Reed said the first company the Town granted a TIF to was Fuji Micro Disk, also on Crosby Drive. That reduction was a 10-year agreement for 1% each year. The State subsequently changed the TIF program, making 5 % per year the minimum amount that could be negotiated.

Mr. Seibert asked how this TIF compares to the agreement reached with iRobot. Mr. Reed said that iRobot was a 90% reduction spread out over 12 years. Tax rates will get back to normal faster with Aspen than they did with iRobot.

Mr. Carluccio asked how much new growth the company's investments would represent. Mr. Reed said it was hard to say because, even though Aspen would invest over \$12M, such investment doesn't directly convert to assessed value. The Assessors will tag the current assessed value of the properties; each year going forward, they'll look at the difference between current value and improved value.

Mr. Reed added that the tax receipts foregone by TIF agreements are not always as significant as people assume. He calculated the amount Aspen would save in taxes as about \$38,000 over 5 years. The valuations are based on market values.

Mr. Steele repeated that the Town will still get taxes based on the unimproved property. Mr. Busa agreed saying that a full building is more taxable than a vacant building. Mr. Reed added that full buildings increase the value of adjacent buildings.

Ms. McClung asked if other companies are likely to hear about Aspen's TIF agreement and, if so, whether that is a good thing. Mr. Reed said the article must go to Town Meeting so there's no way to keep it private. He pointed out that TIFs have a greater impact when they are made around new business construction rather than around renovation projects. Other communities might offer higher TIF percentages but Mr. Reed said he tries not to get into higher levels of tax reduction. If other companies ask about a TIF, Mr. Reed replies that the Town will treat them similarly to how other companies have been treated. Mr. Reed said he is unsure why Aspen is only pursuing a real estate tax credit and not an investment tax credit.

Mr. Steele made a motion that the Finance Committee recommend approval of **Article 13- Tax Increment Financing Agreement** as written in the warrant. Mr. Bowen seconded. The motion passed 8-0-0.

A discussion on motions came next. The Selectmen haven't voted on all of the articles because of concerns about funding the School budget before FinCom and the Schools reconciled the delta. The Selectmen will meet at 6:30 before the first night of Town Meeting to conclude their article recommendations. Mr. Bowen said he would cover that meeting. Mr. Garofalo said he will provide FinCom with a list of presenters and recommendations for each article.

Mr. Seibert moved the discussion to the financial status speedometer graphic he generated. Black and white copies will be distributed at Town Meeting. Color copies would be too expensive to produce in such vast quantities. Instead, stars have been placed on the dials to indicate fund balance goals as set forth in the financial policies. The slide on the screen at the front of the auditorium will be in color, however.

Old business:

Ms. McClung asked for the Town Meeting "script". Mr. Seibert said to state name, address and the decision of the Committee for the article in question. He added that, depending on the article, some people add a lengthier explanation.

Mr. Kenney provided Vo-Tech School costs for FY15. There are 23 Bedford students attending Shawsheen Valley; per pupil expenditure is \$21,107. At Minuteman Tech, there are 2 Bedford students; per student cost is about \$23,000. Bedford's in-town per student cost is \$14,800 although Mr. Busa pointed out this is an averaged calculation; if per student costs per school were broken down, the high school cost would be higher than \$14,800 and the elementary student cost would be lower. Mr. Kenney said the higher costs at the VoTechs were due to the equipment necessary to run the programs.

New Business: Mr. Seibert reminded members about the Town volunteer workshop scheduled for April 16, 7 pm. Open meeting laws will be covered as well as procurement and Chair responsibilities. FinCom will reorganize after Town Meeting. Mr. Seibert said he may not continue after the term is up in June. Somebody else will need to step forward as Chair.

Open discussion: Mr. Bowen said he attended the high school technology event and was impressed with how well the students were able to talk about the technology they work with. Mr. Steele added that even first graders and kindergarteners were able to express themselves well on the subject. Ms. McClung also attended the event and enjoyed seeing the younger and older kids together. Mr. Steele said he hadn't before realized the level of interaction between student and teacher. He reported that teachers embellish the basic software with their own questions, comments and prompts.

Mr. Steele attended the School Committee meeting and said FinCom received thanks for working toward a budget compromise. The teachers' contract was also ratified. The 3-year agreement will see a 2%/ 3%/ 2% pay increase, not including salary steps. Mr. McAllister will ask for the information that includes step increases. There were no changes in the contract for longevity pay.

Mr. Steele also reported an increase in the elementary school day was negotiated in the contract. More than 20 minutes will be added per day at Davis and Lane.

Mr. Busa asked if there is anything left over from what was set aside for the teacher contract negotiations. Mr. McAllister said he didn't know but would ask; Mr. Steele said he would also ask Superintendent Sills.

Mr. Thomas attended the most recent Selectmen's meeting and said the majority of business was about Town Meeting.

Mr. Garofalo said that the Community Preservation Committee will change their budget because the forecasted State match is lower than the 23% originally envisioned. Reports are that matches for FY15 will be in the 21% range. CPC will meet before Town Meeting at 7pm to effect the change.

Future meetings: April 10, May 8, June 5, June 19, July 10.

Minutes: Mr. Busa motioned that the March 6 minutes of the Finance Committee be approved as amended. Mr. Thomas seconded. The motion passed 7-0-1.

Mr. Bowen motioned that the March 13 minutes of the Finance Committee be approved as amended. Mr. Steele seconded. The motion passed 6-0-2.

Mr. Busa motioned to adjourn the meeting. Mr. Steele seconded. The motion passed unanimously 8-0-0.

Respectfully submitted,
Kim Siebert, FinCom Recording Secretary

